

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4341-03
Bill No.: Perfected SCS for SB 567
Subject: Health Department; Elderly
Type: #Corrected
Date: March 27, 2014
To correct section number reference (660.417 to 660.424)

Bill Summary: This proposal modifies provisions relating to adult day care programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown greater than \$100,000)	(Unknown, greater than \$100,000)	(Unknown, greater than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown greater than \$100,000)	(Unknown, greater than \$100,000)	(Unknown, greater than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Unknown income and expenditures net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services (DHSS)** state reimbursement for adult day care services is included in the Home and Community-Based Services (HCBS) program.

§ 660.424 - Reimbursement rates:

DHSS is unable to provide an estimate of the cost of this proposal because of several factors.

DHSS assumes that, in order to set rates comparable to rates set for adult day care programs licensed by the Department of Mental Health under Chapter 630, negotiated rates would be set for each HCBS adult day care provider reimbursed by MO HealthNet funds. Staff would be required to negotiate a specific reimbursement rate with each provider. The amount of staff time required to perform this task is unknown.

Extensive work in the HCBS WebTool and MO HealthNet's Medicaid Management and Information System (MMIS) would be required to set up the reimbursement methodology and ensure the participant receives the appropriate level of services while remaining below the HCBS cost cap. The amount of programming and computer hours required to make these extensive changes are unknown.

The language in the proposal eliminates the ability to control costs by using a set reimbursement limit, and would require periodic review to ensure comparability with programs licensed under Chapter 630. Because each reimbursement would be negotiated, and DHSS does not know where those rates would be set; an estimate of the cost of services using this reimbursement methodology is also unknown.

Each request for adult day care would require deeper scrutiny to ensure the total HCBS for each participant are under the set cost cap, which changes annually. The amount of services authorized for each participant could vary significantly, depending on which adult day care provider a participant chooses, and cause disparities in the level of care participants receive.

Since HCBS participants are ensured freedom of choice in the selection of providers, they may change adult day care providers at any time. Each time a change is made, the entire care plan would require review to ensure the participant's total services are still below the cost cap for HCBS. DHSS is unable to estimate for the number of FTE that would be required to complete these reviews in a timely manner and ensure the services are current and correctly entered into the prior authorization system.

ASSUMPTION (continued)

The change in the reimbursement methodology will likely require amendments to the Adult Day Care Waiver and the Aged and Disabled Waiver be submitted to the Centers for Medicare and Medicaid. If the reimbursement methodology is not approved, the Division of Seniors and Disability Services (DSDS) would not be able to receive federal Medicaid funding for MO HealthNet adult day care.

Due to all of these factors, the fiscal impact of this proposal is unknown.

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** #state assumptions made were that section 660.424 references Department of Mental Health (DMH) providers who provide Day Habilitation (a different service than Adult Day Care) and that DSS would be the party responsible for contracting rates with providers. MHD currently pays Adult Day Care providers a set rate.

#By changing Section 660.424, MHD will need to contract a separate rate with each provider. MHD's system would have to be modified to handle this different payment methodology, which will result in a significant cost. The first year includes overall system changes to incorporate separate costs for each provider. On-going costs are for additional contracts that will need to be added when new providers are added.

FY15 Unknown > \$100,000 (Unknown > \$50,000 GR) system changes

FY16 Unknown < \$100,000 (Unknown < \$50,000 GR)

FY17 Unknown < \$100,000 (Unknown < \$50,000 GR).

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD)** reviewed the proposal and agree with the response provided by the DSS. The changes required by the proposed legislation would span across agencies and systems developed by multiple vendors. OA-ITSD agrees with the “unknown costs” provided by DSS in their assumptions.

Officials from the **OA - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if similar bills pass resulting in more cases, there could be a fiscal impact.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide effective representation for any indigent clients faces with the enhanced penalties for failing to follow the guidelines regarding adult day cares escalated to a new class D felony.

ASSUMPTION (continued)

While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation in all cases.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

Officials from the **Department of Corrections (DOC)** state the penalty provisions for violations, the component of the bill to have a potential fiscal impact for DOC, is for up to a class D felony. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on utilization by prosecutors and the actual sentences imposed by the court.

The DOC assumes supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Department of Mental Health**, the **Department of Public Safety - Division of Fire Safety** and the **OA - Division of Purchasing and Materials Management** assume the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Costs - DHSS-DSDS</u>			
Adult day care program costs #(\$660.424)	(Unknown)	(Unknown)	(Unknown)
<u>Costs - DSS-MHD</u>			
Adult day care program costs and #system changes (\$660.424)	<u>(Unknown greater than \$50,000)</u>	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$50,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown, greater than \$100,000)</u>	<u>(Unknown, greater than \$100,000)</u>
FEDERAL FUNDS			
<u>Income - DSS-MHD</u>			
Increase in program reimbursement #(\$660.424)	Unknown greater than \$50,000	Unknown less than \$50,000	Unknown less than \$50,000
<u>Costs - DSS-MHD</u>			
Increase in program expenditures #(\$660.424)	<u>(Unknown greater than \$50,000)</u>	<u>(Unknown less than \$50,000)</u>	<u>(Unknown less than \$50,000)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business adult day care providers may be positively or negatively impacted if each provider of service has their own reimbursement rate negotiated with Department of Health and Senior Services.

FISCAL DESCRIPTION

Adult day care programs licensed by the Department of Health and Senior Services shall receive comparable reimbursement rates as the adult day care programs licensed by the Department of Mental Health which provide care, treatment and habilitation exclusively to adults who have a primary diagnosis of a mental disorder, mental illness, or developmental disability for providing similar day program services.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Corrections
Department of Health and Senior Services
Department of Social Services -
 MO HealthNet Division
Department of Public Safety -
 Division of Fire Safety
Joint Commission on Administrative Rules
Office of Administration -
 Administrative Hearing Commission
 Division of Purchasing and Materials Management
 Information Technology Services Division
Office of Secretary of State
Office of State Public Defender

SOURCES OF INFORMATION (continued)

Not Responding:
Office of Prosecution Services

Mickey Wilson, CPA
Director
March 27, 2014

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Ross Strobe
Assistant Director
March 27, 2014